

REVISED

MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS COMMITTEE

September 16, 2008 at 1:00 p.m.

Room C445, State Capitol, State Capitol Complex

Members Present:	Sen. Lyle W. Hillyard, Co-Chair Rep. Ron Bigelow, Co-Chair Sen. Peter C. Knudson, Vice Chair Rep. Rebecca D. Lockhart, Vice Chair Sen. Curtis S. Bramble Rep. David Clark Rep. Greg J. Curtis, Speaker Sen. Gene Davis Rep. Brad Dee Sen. Mike Dmitrich Rep. Dan R. Eastman Sen. Brent H. Goodfellow Sen. Patricia W. Jones Sen. Sheldon L. Killpack Rep. Brad King Rep. David Litvack Rep. Carol Spackman Moss Rep. Phil Riesen Sen. John L. Valentine, President
Members Excused:	Rep. Gordon E. Snow
Staff Present:	Jonathan Ball, Director, LFA Steven Allred, Deputy Director, LFA Greta Rodebush, Legislative Secretary
Speakers Present:	Tenielle Young, Governor's Office of Planning and Budget Jodi Patterson, Department of Human Services Rich Amon, LFA Jonathan Ball, LFA Margaret Chambers, Division of Fleet Operations Nathan Checketts, Department of Health John Njord, Department of Transportation

Note: A list of visitors, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order - Approval of Minutes

Committee Co-chair Bigelow called the meeting to order at 1:20 p.m.

Co-chair Bigelow recognized Co-chair Hillyard for a motion on the minutes.

MOTION: Co-chair Hillyard moved to approve the minutes from August 19, 2008. The motion passed unanimously with Sen. Davis, Sen. Jones, Sen. Killpack, Pres. Valentine, and Speaker Curtis absent for the vote.

2. Federal Funds/Non-Federal Grants Report

Federal Funds Report

Tenielle Young, Governor's Office of Planning and Budget, presented the Federal Funds Report through August 31, 2008. There were no new grants and two reapplications of existing federal grants requiring legislative action. Ms. Young noted that three new grants and three reapplications of existing grants had been approved by the Governor's Office.

Co-chair Bigelow asked for a clarification on the reapplication approved by the Governor's Office, Utah Refugee Formula Targeted Assistance Project, which indicates that services are provided to veterans searching for employment. Bill Greer, Administrative Services, Department of Workforce Services, stated that this information had been reported incorrectly. Veterans are not serviced through this grant, only individuals with federal refugee status and only for employment services.

MOTION: Co-chair Hillyard moved to approve two reapplications of existing grants requiring legislative action through August 31, 2008 listed in the Federal Funds Report. The motion passed unanimously with Sen. Davis, Sen. Jones, Sen. Killpack, Pres. Valentine, and Speaker Curtis absent for the vote.

Non-Federal Grants Report

Ms. Young reported that there were three new grants and no reapplications of existing grants requiring legislation through August 31, 2008. Ms. Young noted one correction to the grant award for the Utah Department of Human Services KSL Radio Quarters for Christmas. The grant award was \$144,000 with no state match, and not \$140,000 with no state match, as indicated on the Non-Federal Grants Report. There were no new grants and no reapplications of existing grants approved by the Governor.

Rep. Clark asked if there were any stipulations on how the non-federal grant awards that have no state match were to be spent. He suggested using the example of KSL Radio Quarters for Christmas. Jodi Patterson, Finance, Department of Human Services, explained that the funds raised by KSL for Quarters for Christmas are turned over to DHS and deposited in the treasurer's PTIF Fund. KSL creates and prints shoe coupons and DHS distributes them to Title I schools, regional DCFS offices, and local charities. The coupons are then distributed to those in need; the coupons are redeemed; and DHS makes payment to the vendors. There are no DHS administrative costs associated with this program.

MOTION: Co-chair Hillyard moved to approve three new grants requiring legislation through August 31, 2008 listed in the Non-Federal Grants Report with the amendment that KSL Radio Quarters for Christmas reflect \$144,000 with no state match grant award. The motion passed unanimously with Sen. Davis, Sen. Jones, Pres. Valentine, and Speaker Curtis absent for the vote.

3. State Vehicle Report (Agenda Item #4)

Rich Amon, LFA, reported on vehicle and cost trends in the state fleet.

Mr. Amon remarked that in the four years since the Legislature mandated a five percent state-wide reduction in the fleet, vehicle counts have grown to nearly the level they were before the state vehicle mandate. In particular, 4x4 vehicles have grown 12% while sedans and 4x2 vehicles have decreased 1.5%. During this same period, total vehicle costs have increased 41%, driven primarily by the rapid escalation of fuel prices.

Mr. Amon also reviewed over/under utilization of vehicles, rate structure for fuel and maintenance, and personal and commute use of vehicles.

Mr. Amon explained that in order to mitigate continued increases in fuel costs the state enacted House Bill 110 (2007 General Session) to focus on fuel efficiency, "right-sizing" the fleet, and utilization. He reported that the Division of Fleet Operations has begun implementing this bill including "right-sizing" the fleet by making a Standard State Fleet Vehicle the mandatory replacement vehicle.

Mr. Amon presented the Analyst's recommendations to further improve vehicle cost efficiency. Ranked by least restrictive to most restrictive, the recommendations include:

1. *suggest agencies more often use video conferencing, teleconferencing, or web conferencing rather than commuting for off-site meetings;*
2. *amend the Budgetary Procedures Act to require agencies to request vehicle additions or upgrades through an Appropriations Subcommittee and include vehicle approvals in an appropriations bill;*
3. *require the five largest users of vehicles to give an annual report of their agency efficiency plan to an Appropriations Subcommittee;*
4. *ask the Division of Finance to add an additional object code to break out personal mileage reimbursement between high and low rates and require agencies to report those numbers in their annual efficiency plan;*
5. *require agencies to reduce all under-utilized vehicles in the 10-year and 12-year classes that are not categorized as "low use" by FY 2010;*
6. *not fund internal service fuel rate increases for vehicles other than the Standard State Fleet Vehicle (or certain other fuel efficient vehicles depending on vehicle class);*
7. *remove fuel from the Fleet "variable mileage rate" and direct bill user agencies for the actual cost of fuel use;*
8. *appropriate "vehicle equivalents" as gallons of gas or mileage to agencies and require that they work within that allotment*

Jonathan Ball, LFA, stated that the most significant finding in the report is that state fleet is shifting from sedans to 4x4 vehicles at a time when the price of gas is \$4 a gallon. In addition, the rates agencies pay for vehicles are based on gas prices 18 months ago. Mr. Ball noted that the most significant recommendation would be to remove the fuel from the Fleet "variable mileage rate" and direct-bill user agencies for the actual cost of fuel use.

Mr. Amon responded to committee questions regarding personal mileage reimbursement breakouts costs, efficiencies in using technology, and cost benefit ratios and salvage values of 4x4's.

Rep. Lockhart asked about personal mileage reimbursements breakouts. Mr. Amon explained the differences between the higher and lower rate reimbursements and how those differences are not currently captured in the state's financial system.

Rep. Dee asked if there have been any studies conducted on the cost benefit ratios of 4x4's.

Margaret Chambers, Director, Division of Fleet Operations, explained that the salvage value of 4x4's and SUV's is 18 percent. Last year, the rate proposal was set at 25 percent, but as the price of fuel has gone up, the salvage value of these vehicles has gone down. When a vehicle is replaced, the need for off-road use must be established. Ms. Chambers stated that these requests are often granted through the appropriations subcommittees.

Rep. Litvack asked if state law requires Fleet Operations to replace vehicles with more fuel efficient or alternative fuel vehicles. Ms. Chambers responded that House Bill 110 emphasizes the use of fuel efficient cars as does the Governor's energy efficiency plan. Last year, a \$2.5 million request was made to purchase hybrid vehicles. Ms. Chambers stated that hybrids cost about the same amount of money as compact sedans when comparing mileage and salvage values at 90,000 miles. Last year, 450 vehicles were replaced with 140 hybrid vehicles and 85 "right-sized" vehicles.

4. Status Nonlapsing Balances in State Budgets (Agenda Item #3)

Spencer Pratt, LFA, presented the interim report which examines legislative nonlapsing authority and reviews the types of and reasons for such authority. The report further examines how Utah Legislative nonlapsing authority compares to other states and how nonlapsing balances have changed over the last five years.

Mr. Pratt explained that in Utah, nonlapsing authority is granted through both statute and legislative approval as a general or specific exemption or as intent language. In the past, the Legislature has granted nonlapsing authority through intent language for both the current and the upcoming fiscal year. During the 2008 General Session, this was changed to only authorize nonlapsing authority for the current fiscal year.

Mr. Pratt pointed out that nonlapsing balances in state agencies decreased as a whole from FY 2003 to FY 2006. In FY 2007 nonlapsing balances increased from \$309 million to \$534 million primarily due to nonlapsing balances in USTAR (\$58 million) and UDOT (\$110 million). In FY 2008, nonlapsing balances decreased to \$463 million.

Mr. Pratt noted that in FY 2008, agencies did a much better job at anticipating nonlapsing balances - the gap between budgeted (appropriated) and actual decreased from \$484 million in FY 2007 to \$222 million in FY 2008.

Based on the information and analysis contained in the report, the Analyst recommends that the Legislature:

1. *change the language in the Budgetary Procedures Act to reflect "discrete component unit funds" rather than "college and university funds."*
2. *determine if the State Board of Regents should receive statutory nonlapsing authority.*
3. *require the reporting of Higher Education's nonlapsing balances to the Division of Finance.*
4. *consider technical changes to statutory nonlapsing authority.*
5. *review all statutory nonlapsing authority for potential policy changes.*
6. *consider moving all statutory nonlapsing authority to the Budgetary Procedures Act.*
7. *require the reporting of closing balances for dedicated credits.*
8. *consider formalizing the current policy that nonlapsing authority is primarily for the current fiscal year.*

In regards to the LFA's recommendation to require the reporting of Higher Education's nonlapsing balances to the Division of Finance, Sen. Hillyard asked if the institutions specify how nonlapsing balances are being spent. Mr. Pratt indicated that this information is reported and will be available later on in the year. For the purpose of this report, total nonlapsing balances per institution were not available. However, Mr. Pratt stated that Higher Education had informed him that morning that the total nonlapsing balance for Higher Education was about \$50 million.

Sen. Hillyard asked for a response from John Reidhead, Finance Director, Department of Administrative Services. Mr. Reidhead stated that the Division of Finance does not hold the assets of Higher Education, and therefore, a reporting requirement would not impact their financial statements.

Sen. Hillyard asked about Utah Colleges of Applied Technology (UCAT) nonlapsing balances and if UCAT should be included in the recommendation that Higher Education report its nonlapsing balances to the Division of Finance. Spencer Pratt responded that UCAT has smaller nonlapsing balances and that UCAT should meet the reporting requirement as well.

Rep. Clark asked for clarification on the nonlapsing balances data in Appendix E noting especially the balance of the Medical Education Council. Mr. Amon explained the structure of Appendix E and how to read the information.

Rep. Clark asked further if the nonlapsing balances pertained to capital projects or operating overages. Jonathan Ball stated that he would have to go through the list on a case by case basis to provide him with

that information. As far as the Medical Education Council is concerned, the nonlapsing balance is the result of a rural hospital internship program that has not yet gotten off the ground.

Rep. Clark inquired about Higher Education's response to requests for nonlapsing data. Mr. Pratt stated that Higher Education traditionally does not submit their nonlapsing balances until October after audits have been completed. Mr. Pratt explained that even though Higher Education does not use the FINET system., the Analyst recommends that Higher Education report its nonlapsing balances to the Division of Finance.

5. Report on Children's Health Insurance Program (CHIP) and Utah's Premium Partnership for Health Insurance (UPP)

Nathan Checketts, Utah Department of Health, reported on six proposed amendments to the State's current 1115 waiver to modify Utah's Premium Partnership for Health Insurance (UPP). They are as follows:

- Prohibit children from enrolling in CHIP if their parents qualify for Utah's Premium Partnership for Health Insurance (UPP) [required by HB 133]
- Expand UPP to individual policies [required by HB 133]
- Expand UPP to cover individuals going into HIPUtah
- Expand UPP to cover individuals going into COBRA
- Extend CHIP and UPP crowd out requirement from 90 days to 6 months
- Access a portion of Disproportionate Share Hospital (DSH) allotment if necessary

Mr. Checketts explained that an application was submitted to the federal government last week. The Department of Health expects to obtain approval by the end of the year and will begin implementing the programs by the summer of next year.

Mr. Checketts responded to committee member questions pertaining to the waiver amendments.

6. UDOT East/West Study

John Njord, Executive Director, Utah Department of Transportation, reported on a study of east-west transportation improvements in Salt Lake, Davis, Weber, Utah, and Washington counties.

House Bill 108, 2007 General Session, *Transportation Study - East-West Corridors in Salt Lake County and Counties of the Second Class*, required public hearings and studying multiple construction and improvement options as well as alternative overpass, interchange, and intersection designs.

Mr. Njord discussed a number of long and short-term improvements in each of the counties. He highlighted some near term improvements in Salt Lake County that could alleviate congestion such as reversible lanes, designated one way road couplets, and continuous flow intersection.

Rep. Lockhart asked Mr. Njord to comment on traffic counts on State Route (SR) 9 in Washington County.

Mr. Njord stated that there is tremendous growth in this area, particularly between Hurricane and Washington. UDOT and the Metropolitan Planning Organizations predict that the traffic count on SR 9 will be about 100,000 cars per day.

7. Other Business

Co-chair Bigelow recognized Sen. Hillyard.

Co-chair Hillyard introduced Stephen Jardine who has joined the staff of the Office of the Legislative Fiscal Analyst.

Co-chair Bigelow informed the committee that four written reports had been submitted for their consideration. Three reports were included in the committee binders: (1) Annual Financial Report for SB 159, Assessment Offset for Donations Promoting Occupational Health and Safety, (2) Disaster Recovery Funding Annual Report, and (3) Zero Base Budgeting Report. A fourth report, (4) Utah 911 Committee Report, was distributed by LFA staff.

Co-chair Bigelow recognized Co-chair Hillyard for a motion.

MOTION: Co-chair Hillyard moved to adjourn. The motion passed unanimously with Speaker Curtis and Rep. Litvack absent for the vote

Co-chair Bigelow adjourned the meeting at 2:50 p.m.